

## **Committee on Import Licensing**

### **Status**

The Agreement on Import Licensing Procedures establishes rules for WTO Members that use import licensing systems to regulate their trade. The Agreement covers both “automatic” licensing systems, which are intended only to monitor imports, not restrict them, and “non-automatic” licensing systems where certain conditions must be met before a license is issued. Governments often use non-automatic licensing to administer import restrictions, for quotas and tariff-rate quotas or to administer safety or other requirements (e.g., for hazardous goods, armaments, antiquities, etc.). Requirements for permission to import that act like import licenses, such as certification of standards and sanitary and technical regulations, are also subject to the rules of the Agreement. A Committee was established to administer the Agreement and monitor compliance.

### **Assessment of the First Five Years of Operation**

As tariff barriers have decreased, the rules governing non-tariff measures has grown in importance. The aim of the Agreement is to ensure that the procedures used by Members in operating their import licensing systems do not in themselves form barriers to trade. It sets guidelines for the administrative procedures importers must observe to obtain import licenses, and is designed principally to increase the transparency and predictability of such regimes while creating disciplines that protect the importer against unreasonable requirements or delays that block trade. The Uruguay Round codified changes to the Tokyo Round Agreement by setting firm deadlines for the publication of information on new or revised licensing requirements and places limits on the time for processing licensing applications. The Agreement also establishes a limit on the number of government agencies an importer must approach to obtain a license, and requires all information on the operation of the licensing system be available for importers and exporters. The results of the Uruguay Round expanded the application of rules on import licensing measures to the entirety of the WTO’s Membership. This has been an important development in the evolution of trade regimes of trading partners because it has ensured a single set of procedures will be followed in the administration of licensing procedures. This expanded membership moves the benefits of the Agreement beyond the trade regimes of the mostly industrialized core of countries that negotiated the original Agreement to a more universal coverage. As a result, there is now broad acceptance of the requirement for transparency, certainty and predictability in the operation of licensing regimes, and of the need for the discipline of mutually agreed rules for the application of these widely used measures.

As tariffs have declined in relative importance as a means of trade regulation, and as licensing to monitor trade and to apply safety, quality, and other requirements to imports has increased, the Agreement’s provisions have taken on added significance. The effect of licensing requirements also has increasingly impacted agricultural trade as most Members use licensing to implement tariff-rate quota provisions established during the Uruguay Round. It is expected that the Agreement will be invoked more frequently to minimize trade disruptions that could result from such requirements.

In the first five years of operation of the Agreement under the WTO, the Committee has received initial or follow-on information on import licensing requirements from about half the WTO Members, including the countries that account for the bulk of international trade. In addition, the provisions of this Agreement have been very important in review of the trade regimes of acceding countries. Many of the new Members are either transforming economies with broad mandatory licensing requirements or developing economies that have long relied on discretionary licensing to regulate trade flows. These countries’ regimes have been closely scrutinized during the accession process. They are required to adopt the Agreement’s provisions in

law and immediately provide their initial notifications to the Committee for further review and discussion. Committee reviews of the notifications have allowed Members to identify specific procedures and measures that have the potential of blocking trade, and to focus multilateral attention on problems at an early stage. In addition, while the Agreement's provisions do not directly address the WTO consistency of the underlying measures that licensing systems regulate, they establish the base line of what constitutes a fair and non-discriminatory application of the procedures and in minimizing the procedures themselves as a barrier to trade. This issue has been critical in at least one recent trade dispute involving injury to trading interests through the application of licensing procedures to administer tariff-rate quotas.

### **Major Issues in 1999**

The main work of the WTO Committee on Import Licensing, which oversees the WTO Licensing Agreement, is to receive the official notifications on the licensing regimes of the Members, which includes responses to a questionnaire that lays out how the system works. Initial or new notifications or completed questionnaires were received from 23 WTO Members in 1999. The Committee also addressed specific issues raised by Members, such as Brazil's import licensing procedures and Malaysia's approval permit requirement on imports of heavy machinery and construction equipment. While not a substitute for dispute settlement procedures, consultations on specific issues allow Members to clarify problems and resolve possible potential problems before they become disputes.

### **Work for 2000**

The Committee has issued an ambitious agenda to review of Members' regimes during 2000, and continues to be the point of first contact in the WTO for Members with complaints or questions on the licensing regimes of other Members. The Committee has also undertaken to increase the rate at which countries supply their initial and revised information for review. Additional attention will be given to the disciplines in this area as negotiations proceed in agriculture. Administration of tariff rate quotas, for example, is generally accomplished via licensing regimes. Where necessary, the United States will rely on the expertise of the Committee and consider notifications in devising appropriate options for the new disciplines in agriculture.